

Message Text

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C O N F I D E N T I A L BERN 4396

AMEMBASSY PARIS FOR ASSISTANT SECRETARY ENDERS

E.O. 11652: GDS

TAGS: ENRG, OECD, SZ

SUBJECT: SWISS REACTION TO USG ENERGY AND FINANCIAL PROPOSALS

1. SUMMARY. DURING CONVERSATIONS WITH ASSISTANT SECRETARY FO STATE ENDERS AND WIDMAN (TREASURY) NOVEMBER 20-21 SWISS REAFFIRMED FULL COMMITMENT TO COLLABORATION ON ENERGY MATTERS WITHIN IEA, AGREED WITH U.S. ECONOMIC ANALYSIS OF DANGERS TO WORLD FINANCIAL AND ECONOMIC SYSTEM FROM CONTINUED HIGH OIL PRICES, BUT SHOWED CONSIDERABLE SENSITIVITY ON TIMING AND PRESENTATIONAL ASPECTS OF NEW U.S. ENERGY AND FINANCING FACILITY PROPOSALS AS SET FORTH IN CHICAGO SPEECH BY SECRETARY AND NEW YORK SPEECH OF SECRETARY SIMON. SWISS APPRECIATED HEARING USG THINKING FIRST-HAND AND WOULD LIKE KEEP IN CLOSE TOUCH OVER NEXT SEVERAL WEEKS. END SUMMARY.

2. ENDERS AND WIDMAN MET FOLLOWING AT DINNER NOVEMBER 20; JOLLES, LANGUETIN, JOCOBI FROM DIVISION OF COMMERCE; THALMANN, MULLER OF POLITICAL DEPARTMENT; AND LADEMAN OF
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SWISS NATIONAL BANK (SNB). ON NOVEMBER 21, HALF-HOUR CALL MADE ON PRESIDENT (AND ECONOMIC MINISTER) BRUGGER WITH

JOLLES, LANGUETIN AND JACOBI ALSO PRESENT.

3. PRESIDENT BRUGGER PERSONALLY AND OTHER SENIOR SWISS OFFICIALS PARTICULARLY STRESSED THAT IT WILL BE POLITICALLY DIFFICULT FOR SWITZERLAND TO GO BEYOND IEP AGREEMENT INTO NEW AREAS WHICH MIGHT RISK CONFRONTATION WITH PRODUCERS OR IN SOME OTHER WAY CAUSE PROBLEMS FOR NEUTRAL SWITZERLAND. BRUGGER AND JOLLES ASSURED ENDERS OF INTENTION PARTICIPATE FULLY IN IEA WORK PROGRAM AND EMPHASIZED HIGH PRIORITY WHICH SWISS WILL GIVE TO IEA LONG-TERM R&D WORK ON ALTERNATIVE ENERGY SOURCES.

4. SWISS OFFICIALS EXPRESSED SATISFACTION THAT NEUTRALITY DECLARATION PROBLEM HAD BEEN SUCCESSFULLY RESOLVED BUT SAID SWISS PUBLIC AND PRESS STILL CONCERNED THAT JOINING IEA MIGHT IN SOME WAY LEAD TO DILUTION OF TRADITIONAL NEUTRALITY. SWISS OFFICIALS WERE CONVINCED THAT THIS WAS NOT THE CASE BUT FOUND TROUBLING KISSINGER SPEECH STRESS ON POLITICAL CONSEQUENCES OF FAILURE TO CREATE PRESSURE FOR PRICE REDUCTIONS. JOLLES SAID THEY COMPLETELY AGREED WITH OUR ANALYSIS OF THE SITUATION, BUT FOUND PUBLIC DISCLOSURE OF A POLITICAL STRATEGY TROUBLESOME. PART OF THEIR PROBLEM, SWISS OFFICIALS ADMITTED, WAS TIMING OF KISSINGER SPEECH. FEDERAL COUNCIL (CABINET) HAD JUST BEEN PERSUADED THAT SWITZERLAND'S OBLIGATIONS UNDER IEP WERE CLEARLY SPELLED OUT IN TEXT OF WHAT WAS ESSENTIALLY DEFENSIVE ECONOMIC INSTRUMENT AIMED AT CLOSER CONSUMER COUNTRY COLLABORATION. TWO PARLIAMENTARY COMMITTEES AND PRESS HAD BEEN EXTENSIVELY BRIEFED ALONG THESE LINES WITH VIEW TO ESTABLISHING CLIMATE FOR IEA. NOW PRESS WAS AGAIN RAISING IEP/NEUTRALITY COMPATIBILITY. AS EXAMPLE CURRENT SENSITIVITIES, JOLLES NOTED ARTICLE WHICH REPLAYED IN SWISS PRESS FROM ALGIERS PAPER "EL-MOUDJAHID" OF NOVEMBER 20 ALLEGING THAT SWITZERLAND HAD VIOLATED ITS NEUTRALITY BY FOLLOWING U.S. LEAD AND JOINING IEP.

5. ON CONSUMER/PRODUCER RELATIONS, THERE WERE DIFFERENCES IN OUTLOOK AMONG SWISS OFFICIALS. DIVISION OF COMMERCE OFFICIALS PLACED EMPHASIS ON CAREFUL PREPARATIONS FOR ANY
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MEETING WITH PRODUCERS WHILE POLITICAL DEPARTMENT REPS URGED THAT EARLY DIALOGUE BE STARTED. JOLLES REITERATED SWISS COMMITMENT TO MULTILATERAL APPROACH AND SAID THEY HAVE REFRAINED FROM BILATERAL CONTACTS WITH PRODUCERS.

6. SWISS, PARTICULARLY LADEMAN OF SNB, ASKED NUMBER OF QUESTIONS RE FINANCIAL FACILITY PROPOSAL BUT WERE NON-COMMITTAL. SWISS ARE PARTICULARLY CONSCIOUS OF DANGERS TO FINANCIAL SYSTEM OF HUGE FLOWS OF OIL FUNDS AND HAVE HAD RECENT EXPERIENCE WITH EXCHANGE RATE PRESSURES SUCH

FLows CAN CAUSE. LADEMANN HOPED ATTENTION COULD BE FOCUSED ON HOW TO SIPHON OFF EXCESS PETROFUNDS FROM SURPLUS COUNTRIES SUCH AS SWITZERLAND OR INTERCEPT SUCH FUNDS BEFORE THEY ENTER WESTERN MONEY MARKETS. HE ALSO WAS CONCERNED THAT FACILITY SHOULD NOT: (A) ADD TO OVERALL LIQUIDITY AND INFLATIONARY PRESSURES, OR (B) ENCOURAGE IRRESPONSIBLE ENERGY AND/OR ECONOMIC POLICIES. THEY ALSO ASKED WHETHER PRODUCERS SHOULD NOT CONTRIBUTE TO FACILITY.

7. JOLLES ALSO DOUBTED THAT NEW INTERNATIONAL CONSERVATION AGREEMENT REQUIRED, ALTHOUGH HE COULD ENVISAGE SHARING OF FORECASTS AND DEMAND RESTRAINT PLANS.

8. COMMENT: SWISS WELCOMED VISIT AND CHANCE TO SHARE IDEAS AT THIS STAGE. THEY OBVIOUSLY ARE SENSITIVE TO ANY HARD PUBLIC LINE WHICH COULD BE INTERPRETED AS DIRECTED AGGRESSIVELY AT ARAB OIL PRODUCERS AND WOULD MUCH PREFER EMPHASIS ON TAKING MEASURES BECAUSE THEY ARE IN BEST INTERESTS OF WESTERN WORLD.

9. EMBASSY BELIEVES THAT REASONS OF SWISS ECONOMIC AND FINANCIAL INTERDEPENDENCE WILL PERSUADE PARLIAMENT NEXT SPRING THAT IEP SHOULD BE RATIFIED AND WILL ALSO LEAD TO CONTINUED ACTIVE SWISS PARTICIPATION IN IEP AND RELATED EFFORTS. WE ALSO THINK THEY WILL GO BEYOND IEP BUT INTERNATIONAL AND DOMESTIC POLITICAL ASPECTS OF NEUTRALITY CONSTRAINT WILL COLOR STEP-BY-STEP DECISIONS TO MOVE IN NEW DIRECTIONS. WE HOPE USG CAN CONTINUE TO SHARE OUR THINKING WITH GOS ON ENERGY/FINANCIAL SITUATION AND POLICIES.

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10. FINALLY, WE BELIEVE SWISS POLITICAL LEADERS FULLY AWARE IEP IS A MAJOR POLITICAL STEP FOR THEIR COUNTRY, BUT THEY KNOW THEY CANNOT PUT IT ACROSS AS SUCH DOMESTICALLY. PERCIVAL

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